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Climate impacts could tank Canada's economy without financial support: report

As more climate-related disasters, such as B.C.'s deadly heat dome and floods last year, cost billions of dollars per year, economic growth will slow, the report states. Governments will be forced to raise taxes, and goods will become more costly as supply chains are disrupted.

By [Tiffany Crawford](#)Published Sep 28, 2022Last updated Sep 28, 20224 minute read [Join the conversation](#)

A burned-out car in the devastated town of Lytton following a wildfire that destroyed most of the buildings in June 2021. PHOTO BY JASON PAYNE /PNG

Without significant funding to help the country adapt to climate change, Canada's economy will suffer severe job losses and

daily life will become a struggle for many people, according to a new report from an independent climate-policy research organization.

The Canadian Climate Institute's sobering 87-page document, called Damage Control: Reducing The Costs Of Climate Impacts In Canada, is the fifth and final report in a series analyzing the costs of climate change.

As more climate-related disasters, such as B.C.'s deadly heat dome, flooding and wildfires last year, cost billions of dollars annually, economic growth will slow, the report states. Governments will be forced to raise taxes, and goods will become more costly as supply chains are disrupted.

All households would suffer financially, but low-income earners would be hit the hardest, according to the report.

However, the authors say these scenarios do not have to be the future, and that modelling shows that if governments at all levels invest in adaptations now, many of the costs of climate change could be cut in half. If that is paired with a successful reduction in greenhouse gas emissions, the costs could be cut even further.

"There is more than enough evidence to substantiate much more action on adaptation

and mitigation than we're doing so far," said Dave Sawyer, an environmental economist with the institute, during a media briefing on the report this week.

"But we also need to invest in more research to better understand those risks ... so we can prepare for the full scope."

Economists with the institute created macroeconomic models of what would happen to the Canadian economy in various contexts — including high- and low-emissions scenarios. They identified 16 impact groups, such as infrastructure damage, premature death and illness, permafrost thaw, and destruction from disasters such as wildfires.

They found that by 2025, climate impacts will slow Canada's economic growth by \$25 billion annually, which is equal to 50 per cent of projected GDP growth. That rises to \$78 billion and \$101 billion annually by mid-century for a low- and high-emission scenario, respectively.

With that drag, incomes will drop. The report says that in both emissions scenarios there will be a per-capita income drop of \$720 by 2025, rising to \$1,890 (or a 3.5-per-cent drop in income) by mid-century in a low-emissions scenario, and almost \$2,300 (or 4.5-per-cent drop) in a high-emissions scenario.

By 2025, a 0.35-per-cent increase in corporate and personal income taxes will be required to cover increased government spending of about \$5 billion annually on climate-related disasters, the report finds. By the end of the century, the model forecasts that amount will rise to \$24 billion or \$55 billion annually, with tax rate increases of 1.4 per cent and 2.7 per cent, in low- and high-emissions scenarios, respectively.

“What happens with climate change is there’s a lot of spending that goes on and it doesn’t necessarily create value. So you’re spending to repair what we’ve already paid for and what has been prematurely broken or retired,” said Sawyer.


Ryan Ness, a co-author of the report and adaptation research director with the institute, said impacts on our economy both now and in the future will cause incomes and economic prosperity to continually decline.

“The gap between what we might have expected to enjoy in a stable climate as compared to one in a changing climate gets bigger and bigger over the remainder of the century,” said Ness.


While no region will be immune to the impacts of climate change, the report says the North and Alberta will be hardest hit in terms

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of economic loss, followed by Manitoba, Ontario, Prince Edward Island, and B.C.

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The authors make five recommendations in the report, including that governments build climate impact and adaptation policies into decision-making, and they should encourage — and where appropriate, mandate — accounting for climate change risks in private-sector decision-making.

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One child dead, another critical after their inflatable is hit by speed boat in North Vancouver

They also recommend governments scale up those adaptation measures to match the magnitude of climate-related disasters and “double down” on emissions reduction efforts at home and globally.

Finally, the authors say governments should invest in understanding and preparing for the economic risks of climate change that have not yet been modelled.

“The failure to understand the economic threat posed by climate change has led Canadian governments to drastically underestimate both the economic benefits of climate policies and the costs of the status quo,” the report says.

The authors stress that the risks identified in the report “are just the tip of the iceberg” because climate change carries a wide range of economic risks, many of which are not yet able to be quantified or are yet unknown.

The federal government plans to release its adaptation strategy by the end of this year.

One of the institute's earlier reports said that a national strategy must have explicit goals and priorities based on the most important climate risks, a comprehensive response plan with concrete steps and timelines, and one where progress can be tracked. Provinces, including B.C., must do the same.

A Postmedia investigation earlier this year found government efforts have fallen short in B.C. of what is needed to properly protect communities from increased floods and wildfires expected from climate change.

Highlights from the report:

- Climate-induced damages are already here and they're adding up. By 2025, climate impacts will be slowing Canada's economic growth by \$25 billion annually, which is equal to 50 per cent of projected GDP growth.
- All households will lose income, and low-income households will suffer the most. By the end of the century, low-income households could see income losses up to 19 percent in a high emissions scenario.

- Climate change is a job-killer. Job losses in Canada could double by mid-century, and increase to 2.9 million by end-of-century.
- Adaption pays off big. Every dollar spent on adaptation measures saves \$13-\$15, including both direct and indirect economy-wide benefits.

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—with files from Gord Hoekstra



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